THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

November 3, 1945

New Deal For Shanghai

AN EDITORIAL

U.S.S.R. Jockeys For Control Over Vast Areas In Asia

By J. B. Powell

Foreign Firms Face Changes

By John Ahlers

Reds Press For More Political Gains

By Woo Kyatang

KMT-CP Clashes Reach Civil War Proportions As Talks Continue

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Traffic Problem

To the Editor:

I think it is high time something was done about the present deplorable traffic conditions in Shanghai. The Americans drive through Shanghai's streets in their jeeps and trucks at an excessive rate of speed, totally ignoring traffic regulations and the efforts of the police to maintain order. One gathers that they feel that Shanghai's streets are for their exclusive use.

I realize of course that the large number of ricksha's, pedicabs and pedestrains makes it difficult to drive, but our Allied friends should understand that Chinese conveyances have as much right to use the streets as they do.

All I ask is that the American drivers display a little courtesy and consideration, because as things presently stand, the only difference between traffic conditions now and before the liberation is that the Japanese had fewer and smaller vehicles.

A PEDESTRIAN

Shanghai, Oct. 30, 1945.

Action Wanted

To the Editor:

I hope your article last week, "Jap Crimes In China," was read by those officials who are responsible for handling Japanese war criminals in China. It's certainly about time that some official action is taken.

Sometime ago the Chinese authorities here arrested a group of puppets, but up to now no trial has been scheduled. A large number of other puppets and employees of the Japanese army and navy are still at large. I wonder why there has been so much delay.

Of course, the Chinese Government has been tied up by the Communist and other political problems but it's advisable for it to take a little time off and straighten out the Japanese war crimes a bit before the whole thing is forgotten.

Yours,

P. L. HO

THE CHINA WEEKLY REVIEW

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Index for November 3, 1945

Editorial Paragraphs

A New Deal For Shanghai 27
Bargain Hunters Beware! 27
China's Export Future 28

Special Articles

Reds Press For More Political Gains ..... *By Woo Kyatang* 29
U. S. S. R. Jockeys For Control Over Vast Areas In Asia ..... *By J. B. Powell* 30
Speculation, Rumors Push Up Local Market 31
Foreign Firms Face Changed Business Conditions ..... *By John Ahlers* 32
Inflation In Shanghai ..... *By B. Y. C.* 33
Cotton Mills At Crossroads ..... *By B. Y. Lee* 36

Departments

What People Are Saying 25
Events In Brief 34
People In The News 37
News Of The Week 38
New Books of Interest 40

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A New Deal For Shanghai

WHAT Shanghai needs most urgently today are honesty and efficiency in government.

In taking a factual inventory of the local situation two months after V-J Day, we find prices have reached a new high, living conditions are harder and unemployment has increased, while corruption and inefficiency appear as deep-rooted as ever.

We say that such a state of affairs is appalling and no self-respecting city should allow this sort of situation to continue.

We say it is the responsibility of the Government as much as the responsibility of every public-spirited citizen to see that something is done without further delay.

Shanghai is China's metropolis as well as her show-window to the world. It is also the nerve center of China's industry and finance. What is happening here, therefore, is of importance in two ways:

First, the degree of honesty and efficiency of various governmental agencies in Shanghai will be the criterion whereby people abroad will judge—rightly or wrongly—the status of all governmental organizations in China;

Second, if Shanghai's economy is wrecked by official ineptness, the whole of China's economy may be seriously impaired.

Hence, we urge the Government to look into the Shanghai situation in the light of the foregoing two reasons and bring about some immediate remedy.

Shanghai, we feel, deserves a better deal than it is actually getting. For eight long years, while Japan and Japan's puppets controlled Shanghai's destiny, the city literally went through hell. The night was eight years long, and Shanghai survived only on one hope: Someday the Japanese would be driven out and with them would go the scourge of corruption, want and fear.

The situation two months after V-J Day, however, falls far below the hopes of the Shanghai people, and we say that it is tragic and wrong to shatter the hopes of a people who have shown such stamina and courage.

We advocate that the Government, in order to keep faith with the people of Shanghai—as well as with the people of all China—should resolutely carry out the following program:

1. Investigate thoroughly, without fear or prejudice, all charges and counter-charges of graft and corruption. In Shanghai today, it is common talk about gold bars changing hands and corrupt practices regarding the disposal of materials taken over from the Japanese and the puppets. It is not healthy for the morale of the people or the morale of the government for such whispering campaigns to continue. The Government must prove or disprove once and for all the validity of such charges. Innocent officials whose names have been smeared must be vindicated, while those guilty must be punished to the full extent of the law.

2. Re-evaluate the job which the various government agencies in Shanghai must do and put in qualified men for such jobs. We feel that when the city was first liberated, the Government in Chungking had but an incomplete idea of the problems which it faced. Many of the officials sent here are undoubtedly men of ability and character. But a large number of the men sent here are of second-class administrative and moral caliber. As a result, these men have not been able to cope either with Shanghai's jobs or with its temptations. Shanghai is a complex city. We not only need men of ability, but we also need men who can look at a gold bar without its arousing too proprietory a feeling. We urge the Government to secure such men whereever it can find them, without regard to personal and political affiliations.

3. Postpone the making of new laws and regulations for Shanghai and put into practice effectively the existing laws. It is always a temptation for reformers and law-makers to promulgate laws whenever they are confronted with a situation. But laws, as they stand in the statute books, are of no practical value unless there are honest law enforcers who have at their disposal the means of enforcing these laws. A law, for instance, will not keep down the price of rice unless there is some way of equalizing the balance of supply and demand. We believe that at this moment the best efforts of the Government should be directed toward finding honest law enforcers and toward putting in their hands valid means of carrying out their work.

China today has an immense job of post-war reconstruction, and the Government cannot hope to do it without the full confidence of the people. We feel the Government cannot regain that confidence unless it keeps faith with the people of Shanghai and through Shanghai with the people of all liberated areas.

VENTRILOQUIST IN TOKYO

—Ray, in The Kansas City Star

"Bataan!"

Bargain Hunters Beware!

THERE are more phases of the problem of disposal of American war surpluses than readily meet the eye. The Americans who have the responsibility of administering these disposals all over the world must surely be discovering that the transactions are surrounded by an atmosphere of danger for both buyer and seller.

Should weapons now in various Allied nations be sold to the governments of those nations, or should they be scrapped? In England, or in Russia, the question might present no difficulty at all, for there is little likelihood that either of those nations will soon face the possibility of internal strife. Neither is there much likelihood that England or Russia would want to

buy such weapons, because both of those nations are very well armed and both realize that the weapons that won this war must certainly be obsolete in another.

But in Greece, France, Italy, Jugoslavia, and Belgium there is dissension that might conceivably be climaxed by civil war. In China and in India there are similar potentialities. The fact that the United Nations and the atomic bomb might stop such wars does not alter the seriousness of the question. Most Americans do not want to be parties to more killing of people who have been fighting beside them in a common cause. Most Americans would thoroughly disapprove the sale of weapons to any principal in any civil war. America is all too conscious of the chasms into which her industrialist-salesmen have brought her in the past.

Then, there are phases of the surplus property problem which worry the industrialists. If motor vehicles, planes, and grading machinery are sold to Allied nationals at basement prices, what will the effect be on future sales of American products?

The markets would be glutted for a short time, of course, but many American manufacturers fear farther-reaching effects. Vehicles, planes, and machinery that are made for war can seldom be operated economically. War machines are designed to do their jobs as rapidly and as efficiently as possible regardless of cost of operation. Thus, a B-29 migh be an excellent investment for a country contemplating long-range bombing, but a very bad buy for an airline contemplating only long-range passenger traffic.

Therefore, the manufacturers feel that indiscriminate sale of war machines in foreign countries may be a very bad advertisement for their peace-time products. Undiscerning buyers after the last war often came to the conclusion that American machinery was too expensive to operate and their conclusions were frequently based on their experience with the war machinery they bought for little more than a promise to pay.

The biggest "fire sale" of American war surpluses is going on all over the world. But all that glitters is not necessarily a bargain. It pays to think about the problems now.

China's Export Future

WE have observed recently a disturbing trend among many Chinese writers toward over-simplification of the reconstruction problems facing China.

Many of the nation's economic writers seem to be assuming that America has so much excess productive capacity and so much surplus war material that she is eagerly and anxiously looking for a place to unload her excess production. This of course is partly true and the idea undoubtedly has gained credence from some of the recent articles by those American authors who enhance their sales by traditionally "viewing with alarm" all future prospects. However, it might be well to pause and consider for a moment just on what terms is America willing to "unload" this so-called surplus? Naturally any terms involve some sort of payment.

The answer currently being given to this question is what concerns us. Because, if China were to be disappointed in her expectations, it could seriously injure the present excellent relations between the two countries. The answer given by most Chinese writers is that China will do as she has during the past several years; she will pay for her imports of machinery, food stuffs, etc. with exports of agricultural products such as tung oil, silk, tea, bristles, tin, tungsten and so on.

What Chinese economic planners should realize is that during the war years America—and other nations as well—developed many substitute products and that many of these "substitutes" are so much better than the originals that many of China's pre-war markets have either disappeared or are greatly reduced.

In recent years tung trees have been grown satisfactorily in the United States. First introduced from China some years ago, they failed miserably for years, but after sufficient care and experimentation with grafting, fertilization, irrigation, etc., they began to thrive. Today these tung forests are not only producing successfully, but also are producing more oil per tree than tung trees in China and, furthermore, are producing a quality of oil far superior to the original. This improved oil has led to the development of superior paints which are now in common use in America. Until such time as China's tung oil forests are more scientifically cultivated, her export trade in tung oil is certain to suffer.

Silk almost universally has been replaced by nylon and rayon. This is so true that the United States is reported not even to be considering shipping to America the huge stocks of silk uncovered in Japan. American women now prefer nylon stockings, while industrial users find nylon so much more durable—and rayon so much cheaper—than silk that it is fast becoming uneconomical to use real silk.

One could go on down the list of China's principal exports, pointing out how most of the major items are no longer the cash crops they once were.

Three things are required:

First, China must re-examine the whole business of world trade, taking into consideration the changes and new developments of the war years. On this basis, she must then re-

TIME-BOMB

Williams in The Detroit Free Press

evaluate the potentialities of tung oil, silk, bristles and such products, deciding just how much of each she can expect to export and what price she can reasonably expect to obtain. Thus, China can avoid the possibility of one day discovering herself with large stocks of virtually unexportable goods.

Second, China's agricultural and economic experts must map out a scientific and practical plan for the improvement and standardization of the quality of her exportable products. There is no reason why China cannot produce as high a quality tung oil as America. All it requires is some supervision of tung forests and education of the workers.

Third, China, by investigating world markets, can undoubtedly create substantial demands for other native products which have not heretofore been popularized abroad.

Failure to re-examine China's export position in the light of new developments in the world market, with subsequent reorientation of the thinking of the country's economic planners, will assuredly result in disappointments to China's exporters and economic loss to the people.

Reds' Press For More Political Gains With Civil War Threats

By WOO KYATANG

WILL China's devastated land again be plunged into civil war?

This question, with all its terrifying import, is on the mind and lips of everyone in China today. The answer, I believe, rests more with the Communists than with the Central Government.

The Communists are playing a dangerous but superbly astute political game. They know that the Central Government, for reasons of international diplomacy as well as for reasons of national welfare, wishes to avoid an open armed clash. The Communists are capitalizing on this weakness—if weakness it is—for all it is worth.

Along the Peiping-Hankow, Peiping-Mukden and other railways and throughout a large area of North China, the Communists are harassing Government troops on all sectors. They hope that this all-front drive will enable them to get the best possible bargain in the political negotiations which are still in progress in Chungking.

Reds' Trump Card

The Communists' trump card is the Government's desire to avoid a civil war and they know that Generalissimo Chiang Kai-shek will go a long way to make political compromises in order to keep the peace as long as possible.

What most observers fear today is the fact that the situation now developing in China may become the first round of a wider and more serious international struggle, involving the United States and the Soviet Union.

At this moment, it may still sound speculative to suggest that China would be turned into Spain, with the Soviets bossing and supporting the Communists' show and the United States helping Chungking. But basically, all the dangerous potentialities of an international blow-up are present in the present struggle and they should not be overlooked.

One has to give a certain amount of credit to the Reds for their courageous and prolonged political struggle which has forced the pace of the Kuomintang Government along the road of democracy. But this record may be wiped out entirely if the Reds choose civil war as the weapon for their political aspirations. I do not think that any Chinese, except dyed-in-the-wool Communists and fellow travelers, would endorse the Reds for one moment if they should attempt to use armed forces as a means of overthrowing the established government.

Democracy, I think, will eventually come to China by a slow tortuous process, but I do not think that the Communists can give China true democracy by their methods and doctrine. On paper, the Reds have a fine program of democratic ideals, but in practice my foreign newspaper friends who have traveled extensively in Communist areas tell me that they found little evidence of freedom, equality and the other vital things which a true democracy must have.

In thus putting the situation, I do not intend to leave the impression that I believe that the Kuomintang, as it is at present constituted, is qualified to be the champion of Chinese democracy. But if I had to choose, I would say that in the long run China is more likely to get something approaching democracy through Dr. Sun Yat-sen's *SAN MIN CHU I.*

Generalissimo's View

I also think that Generalissimo Chiang Kai-shek is definitely on the right track. Seldom do great men talk publicly of what they think in terms of their own obituaries, but when they do they usually give a pretty true picture of what they think in their innermost self. This was the case when the Generalissimo said to a visiting American newspaperman: "If I die as a dictator, I will go down in history as another Hitler or Mussolini, but if I try to build a democratic China, I will go down in history as a Lincoln."

I was in Chungking when the talks between the Communists and the Government were in progress. I am inclined to think that the Generalissimo's attitude—i.e. the Government's attitude—toward the Communists was reasonable and genuine. He personally discussed the situation with Mao Tse-tung and in fact had the Communist leader as his house guest at his country home. The whole atmosphere, though tense off and on, was generally cordial.

The cynic would say that all this hobnobbing was just big-time politics. But the point I am trying to bring out is this: Through these war years the Generalissimo's political sagacity has grown, and he has gained a considerable amount of tolerance which he did not have prior to the Sian incident. The Communist issue to the Generalissimo is no longer a Communist vs Kuomintang affair. He now sees it in the light of national and international interests.

Some 10 years ago, I was sent to Kiangsi by a local newspaper to cover the Nationalist drive against the Reds. In those days, you couldn't talk to the Generalissimo about the Communists. The only good Communist to him then was a dead Communist. But this time, I found that his attitude was truly tolerant. The violent attitude which he held 10 years ago was gone, and in its place was the political sagacity of a man who has achieved the stature of a great statesman and leader.

Talks Fail

But despite all this, the talks did not reach a satisfactory conclusion. When the memorandum of the talks was published I was not ready to hail it, as did the local Chungking press, as a document which sealed unity and peace in China. On three basic and practical points there was a wide divergence of views, and to my mind it left the question generally unsolved. The first point was in connection with the nationalization of armed forces under the Communists. The second had to do with the re-demarcation of provincial and administrative areas as well as the official appointment of Communist administrators to various provincial and local posts. The third had to do with Communist participation in taking over areas from the Japanese.

On these three questions there was a wide gap in viewpoint which was difficult to bridge. The Communists knew that no agreement was likely to be achieved although a formula was laid down for future discussion and solution. It was this knowledge that undoubtedly prompted the present armed pressure against Central Government forces. In order to get the Government to concede further, the Reds are using the old warlord method: Fight first and talk terms afterwards.

Bird Sanctuary

The question today is whether the Communists can get away with it. The Generalissimo will try to exercise as much patience as it is diplomatically wise for him to do. But a point will be reached where he will have to choose between diplomatic expediency and keeping China all in one piece.

Play Risky Game

But when it comes to fighting, I do not think that the Reds could stand very much ousted by a lightning coup was an exof a chance. If the Central Government wishes to assert itself, it can. The affair in which General Lung Yung was ample. The Central Government troops, after years of fighting the Japanese, undoubtedly will be able to handle the Communists, especially when the latter lack planes and war equipment.

But the Communists are banking today on the fact that the Central Government will want to avoid a full-scale military operation. They also believe that by threatening civil war, the United States and Russia might put pressure on the Chinese Government to grant greater concessions.

But while all this goes on—whether it be a full-dress war or local skirmishes—China's post-war back-to-normalcy program must wait. The railways are cut, with the result that cities are without food and fuel. Local governments in recovered areas are operating on day-to-day basis because armed clash may break out at any moment. After eight years of prolonged war and suffering, China badly needs peace, but at this moment it does not seem that this country will even get a breathing spell.

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USSR Jockeys For New Control Over Vast Areas In Asia

By J. B. POWELL

SOME time ago I read a statement by Sumner Welles, former Under-Secretary of State, concerning Russia's comeback in Asia. He said, "It would be logical for the Soviet Union to demand that Russia be restored to the position she occupied prior to 1906, which included sovereignty over the whole of the Island of Sakhalin; that her present position in Sinkiang and Outer Mongolia be confirmed; and that her financial and commercial interests in Inner Mongolia be fully protected."

Mr. Welles did not mention specifically either Manchuria or Korea, but his forecasts turned out to be altogether too true. Within a week after Russia declared war on Japan, on August 8, Soviet armies had established complete control of Southern Sakhalin. The headlines in the New York papers told the story: "Russian Troops Occupy Nearly All Of Manchuria," "Soviet Sky Troops Take Kurile Isles," "Russins Attacking North Of Kalgan (Inner Mongolia)," "Red-Trained Army of 30,000 Koreans Enter Their Homeland." The most revealing headline of all, over a dispatch from Chungking in the World-Telegram, read: "Chiang Drops China's Claim to Mongolia."

J. B. Powell

I wonder how many Americans have any conception of the size of the lands involved in these momentous developments. I have travelled in all of them, except Sinkiang and Sakhalin, and have some idea of their immense size and potential resources. But to satisfy my curiosity, I checked up on the figures in the Statesman's Year Book. Here they are:

Japanese Sakhalin, area 13,930 square miles, or about the size of Maryland and Connecticut.

Manchuria, area 503,013 square miles, or nearly twice the size of Texas.

Korea, area 82,246 square miles, or about the size of Idaho.

Mongolia (Inner and Outer, or more properly Northern and Southern Mongolia), area 1,875,000 square miles, or more than seven times the size of Texas.

Sinkiang, area 705,769 square miles, or about three times the size of Texas.

The lands mentioned as coming more or less under Soviet economic influence total up to 3,182,958 square miles or considerably larger than the continental United States, in fact 205,830 square miles larger.

Publication of the Soong-Stalin Treaty confirmed the premonition long held by students of Far Eastern affairs, that Russia's "come-back" in Asia makes Russia's comeback in Europe appear as a comparatively small land transaction. Since the deals making these startling developments possible all date back to the Teheran and Yalta agreements, it definitely establishes the historical positions of Roosevelt, Churchill and Stalin as the world's greatest real-estate dealers. It means that Russia's total land area has been increased, actually or potentially, from a prewar eight or nine million square miles, to a future potential grand total of nearly twelve million square miles.

There is no point now in making forecasts concerning future calamities in Asia likely to result from this treaty. Wendell Willkie, who visited the lands of Central Asia on his trip around the world, declared in One World: "There is enough explosive powder in Central Asia to blow the lid off the world again when the present fighting is over."

Whether the new Sino-Russian partnership in north-eastern Asia encompassed in the new treaty, will work out peacefully and satisfactorily for the Russians and the Chinese and world peace, only the future will determine. Such agreements have not worked out satisfactorily in the past; witness the brief but sharp and bloody clash between the Russians and Chinese over the control of the Chinese-Eastern Railway in North Manchuria in 1929.

The state-owned and operated railways of Manchuria have always been a source of international conflict. The original construction of the Manchurian branches of the Russian Trans-Siberian Railway precipitated the war between Japan and the Czarist Russians in 1905, resulting in Russia's defeat and Japan's acquisition of the southern or South Manchurian branch from Changchun (now Hsinking) to Port Arthur on the Gulf of Chihli. In the closing months of World War I, the United States, Great Britain, and Japan intervened in Siberia and Manchuria for various and conflicting reasons, but the Anglo-Americans prevented Japan from seizing these railways and the vast lands served by them.

After the Allied withdrawal, China and Russia succeeded to the control of the 1200-mile Chinese-Eastern branch of the Trans-Siberian line. But a serious squabble developed between China and the Soviet Union over the administration of the railway, resulting in an armed conflict which lasted nearly a year and resulted in heavy casualties on the Chinese side. China was defeated and Russia resumed undisputed control of the administration of the railway.

In 1931, the Japanese charged the Chinese with interference in the Japanese operation of the South-Manchuria Railway and thus was precipitated the so-called Manchurian Incident, leading to Japan's occupation of all Manchuria, the real beginning of World War II. In 1932 the Soviet Union side-stepped another conflict with Japan by selling the Chinese-Eastern Railway to the Japanese for a fraction of its value. This was done over China's protest and despite the fact that China owned a half-interest in the railway and the further fact that the Soviets in 1917 had promised to restore the road to China, along with other "Czarist" imperial interests in Asia.

With Japan out of the picture, China and Russia now rearrange their interests and relations in northern and north-eastern Asia in the form of a so-called "partnership", that appears on the surface to be extremely complicated, as it involves joint government management of a vast railway system and two important ports, Port Arthur and Dairen, previously under Japanese control. The fact that China's territorial integrity has been confirmed is of little significance, if the U. S. S. R. should dominate the railways and ports. Nothing was said about the Chinese-owned railway system which zig-zags north and south, a considerable distance to the east of the Chinese-Eastern and South-Manchurian Lines. If the Chinese are to control these lines exclusively, it may give them a vantage ground against the Russians, but this remains to be seen. The Chinese lines lead to a new port. Hulutao, which was already competing with Japanese Dairen, prior to the Japanese intervention.

Russia's agreement not to interfere in China's internal affairs is likewise of little consequence and is not new. Russia promised not to interfere in China's domestic affairs in the Peking Treaty of 1924, but two years later introduced Communism at Canton in alliance with the Knomintang leftists. In 1927 the two countries broke off diplomatic relations entirely over the issue of Communism and when they resumed relations again in 1932, Russia again agreed to refrain from interfering in China's domestic affairs, that is, in support of the Chinese Communists. I will not discuss whether or not Moscow lived up to that agreement. Mao Tze-tung, the Chinese Red leader, answered the question in his book, "China's New Democracy", wherein he declared that Chinese Communist dependence on Russia was vital, and that any cooperation between the Chinese Communists and the United States "is a temporary strategy."

The new Chinese-Soviet treaties make no mention of the disposition of the great Japanese industrial base in South Manchuria, which the Japanese built up at great cost since 1906. Presumably, China will fall heir to this, as she should, in payment for Japanese destruction of the Chinese industrial establishment south of the Great Wall.

There is no point in speculation about the final disposition of Korea until the terms are known, but the Soviet Army, using Russian-trained Red Korean troops, is already in occupation of the important Korean ports of Yuki, Seishin, and Rashin (opposite Vladivostok), and the important industries of northern Korea which the Japanese rushed to completion, following their seizure of Manchuria in 1931.

Speculation, Rumors Push Up Local Market, Stock Prices

DURING the week ending October 27, speculation in Shanghai became once again very active. Rumors to the effect that the Central Bank in Shanghai would soon start to purchase gold in town pushed up the gold quotation from CNC$526,000 on October 20 to CNC$730,000 on October 27. U.S. dollar notes jumped to CNC$1,300. The rumor, though denied by the authorities, failed to check the general rise in quotations. Stocks and shares rose by 35 to 50 per cent. Shares of Wing On Textiles, which stood at CNC$340 on October 20 increased to CNC$460 on October 27 while Mayar appreciated from CNC$210 to CNC$325.

Commodities

Commodity prices increased also. Hoochee cotton which rose from CNC$21,000 to CNC$27,500 per picul during the week ending October 20 increased further to CNC$43,700 on October 27, and 20's Double Horse cotton yarn, which was quoted on October 20 at CNC$350,000 per bale reached CNC$450,000 on October 27. The price of rice rose from CNC$4800 to CNC$8000 for the week.

Though the authorities have reiterated their firm decision to check any increase in prices, control regulations have been openly violated. Without a definite plan for the control of the speculative markets or any substantial improvement of trade and industrial conditions, it is not expected that the situation will soon be stabilized.

Industry

Although many industrial plants have resumed operation, including 16 former Japanese cotton mills, the problem of coal and supply of electric power remains very serious. Of the 16 enemy mills, the total number of spindles now operating is reported to be only 75,000. However, optimistic observers believe that by November the total number of operating spindles of these enemy plants will be increased to 200,000 and by the end of the year to 500,000.

Coal Supply

Shanghai's industrial problems seem to be dependent entirely on the problem of coal supplies, which was described by Mr. P. S. Hopkins, President of the Shanghai Power Company, as very serious.

Mr. Hopkins said that the Shanghai Power Company, which has been carrying the entire power load for Shanghai, may be forced to limit the supply of electric power because of the coal shortage.

Industrial users of electricity, who normally make the heaviest demands on the power system, are now limited to 17.3 percent of their pre-war requirements while small homes receive an allotment of 13 kilowatts a month. "In our estimation," Hopkins said, "this represents the minimum for the continued operation of business and home lighting, but even this may not be possible if present stocks of coal are not replenished within a short time.

"When the Shanghai Power Company was taken over by the Japanese in 1941," Hopkins said, "there were enough supplies on hand for three years of operation, a normal supply of 86,000 tons of reserve coal, and adequate funds for contingencies. On our return we found two days supply of coal, no money, and a large percentage of our equipment deteriorated or stolen by the Japanese."

Labor

With industrial conditions not much improved, the labor situation remained a serious one. One report says that approximately 1,000,000 factory workers are now out of employment in Shanghai. However, Mr. Ku Chen-kan, Minister of Social Welfare, declared that over 6,000,000 factory workers in the newly recovered areas of China—about 80 per cent of all the factory workers in the entire country—are now unemployed.

On October 27, it was reported, workers delegates of six utility companies in Shanghai had a conference, at which they discussed the establishment of a Chinese Utility Labor Union of Shanghai. The delegates represent the Shanghai Gas Co., the Shanghai Power Co., the Shanghai Waterworks, the Shanghai Electric Construction Co., the French Tramways and the Shanghai Telephone Co. Workers of the Shanghai Telegraph Co. are not included but may join in, according to the same report.

Already on October 25, 1133 Chinese workers of the Shanghai Telephone Co. held a meeting deciding to ask for an increase in wages. These workers received last month from CRB$700,000 to CRB$1,500,000 while the price of rice was CRB$900,000 per picul. In other words, the wage of the workers was around one picul of rice while in the pre-war days it was approximately five piculs for many workers. It was reported that the workers would demand a living wage of CRB$7,000,000 or CNC$35,000 each.

The market opened firm on Monday with quotations continuing to rise, reaching new high records of CNC$1,100,000 for gold bars and CNC$1,900 for US dollar notes on Wednesday October 31. The next day, prices closed slightly lower as shown below:

	Oct. 25
Gold	CNC$620,000
US Dollar	1050
Wing On Mill	410
Wing On Co.	300
Mayar	240
Rice	7000
	Nov. 1
Gold	CNC$900,000
US Dollar	1600
Wing On Mill	520
Wing On Co.	400
Mayar	400
Rice	9000

The Russian come-back in Asia is a startling development in our war in the Pacific. Before the Russo-Japanese war in 1905 it was common talk in Peking that Russia would ultimately control all of Asia north of the Yellow River. The Americans discovered this to be true when a Russian-French coalition blocked a number of American railway projects in North China and in Manchuria.

As for the United States, the future is equally speculative, for the United States and the USSR are now in direct contact at innumerable points in Asia. Of one thing we may be certain, a matter I have frequently emphasized: the United States will be so busy in the Far East in the coming half-century, that the European angle of our foreign relations will pale into insignificance.

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Foreign Firms Here Face Changed Business Conditions

By JOHN AHLERS

The position of foreign business firms in post-war China is a matter of conjecture and controversy. It is obvious that it will not be the same as it has been in the past. Many of the pre-war special privileges which foreign business enjoyed either under the protection of extra-territoriality, or through mere toleration of infringements of Chinese sovereignty, will have to go. China's major allies have renounced these privileges; the smaller countries are of little practical consequence; victory already has deprived China's enemies of their pre-war advantages.

It is obvious also that foreign business cannot enjoy in China exactly the same position and advantages as does Chinese business. No truly sovereign country gives to foreigners what is technically known as "inland parity," i.e., full equality of status with its own citizens. That the Nanking puppet regime in 1943 formally granted to Japanese business in the enemy-occupied areas of China "inland parity" was one of the most obvious indications of the state of dependence upon Japan into which the collaborators had fallen.

Foreign business in China, as foreign business everywhere else except in colonial and semi-colonial countries, in the future will have a position which is bound to be at the same time both weaker than it was in the past, and inferior to Chinese business. This position will be determined by Chinese legislation on the one hand, and by China's commercial treaties with foreign countries on the other.

Chinese legislation, of course, is at the discretion of the Chinese Government alone. A well-advised Chinese Government, however, will not legislate blind-foldedly but will take into consideration modern and progressive foreign precedents. American, British, Swiss and Dutch legislation on business matters appears to be the most progressive and reasonable; they are tolerant and allow a wide latitude to foreign business activities; they helped the respective countries to attain or maintain a high degree of prosperity. The business legislation of numerous European and Latin American countries is often unreasonable, intolerant, and reactionary; by penalizing foreign business it has penalized the countries in question, and their territories are the backyards of modern world economy. There is no doubt in which camp of the two China had better look for precedents and experience.

The new company law recently promulgated in Chungking, and to be enforced as from the start of next year, is a major piece of new Chinese business legislation. For the majority of foreign corporations formerly operating in China, this law compels very far-reaching changes and adjustments. Yet it cannot be said that this law is generally unreasonable and arbitrary; it follows well established and progressive foreign precedents and it promises to give foreign business in China a deal as fair as is given foreign business in the more advanced countries. If administration of the law is fair and efficient, complaint will not be justified.

In future commercial treaties with other countries China is equally likely to follow progressive foreign precedents. But the contents of those treaties, of course, will not be at the discretion of the Chinese Government alone, but will have to be negotiated and agreed upon with the foreign contractants. Every commercial treaty is naturally a compromise, each party granting certain concessions in return for certain concessions made by the other party. True reciprocity is the life blood of such treaties. It would mean nothing to China, obviously, if Britain, in return for coastal shipping rights in China, would reciprocate with the right of cabotage to China, since Britain has ships but China has none. Real reciprocity means an exchange of concessions of equivalent value to both contracting parties.

The most important of all of China's commercial treaties is bound to be the treaty with the United States, now under negotiation at Chungking. In pre-war years, America was the biggest seller to China, and the biggest buyer of her exports. Ever since the depression, the United States also was the only important new lender of funds to China. At the end of World War II, the United States is by far the most powerful and most productive economic unit in the world, and evidently will be the most important nation in China's foreign economic intercourse for many years to come.

It would be foolish for China to start out contracting commercial agreements with countries with which she transacts but little trade, and in such agreements to grant concessions. The proper way is to contract with the United States first, and with Britain as well as the major sections of the British Empire next. The American treaty will establish many precedents for the British treaty, and the two treaties together will create the framework into which all of China's other commercial agreements will have to fit.

What special advantages foreign business interests may hope to enjoy in post-war China will have to be laid down primarily in the texts of her important commercial treaties. What favorable treatment China might hold out to foreign capital, enterprise, trade, and individuals will have to be conceded in these treaties to those foreign countries which will be willing to repay China in concessions of equivalent value. Such advantages and concessions will be granted for the duration of the treaties in question, and will be subject to such extensions and curtailments as from time to time may be justified by treaty revisions.

It is obvious that all foreign business will not enjoy the same status in China. The status of foreign business here will differ according to the nationality of the foreign interests concerned. China may grant to one foreign country concessions which it may refuse to another; it will often happen that China will refuse to pay the price asked by another country, or that another country refuses to make the concessions which China demands. In the past, unevenness of treaties was usually ironed out by insertion of the most-favored-nation clause; but the clause has dropped out of fashion, and in late years has been of little practical importance. Bilateral foreign trade replaced multilateral commerce.

Obviously post-war conditions for foreign business in China will little resemble the pre-war state of affairs. But it would be unrealistic to embark upon a policy of bewailing the disappearance of pre-war conditions and demanding their restoration. The only realistic approach to the problem will be for the foreign powers interested to negotiate commercial agreements and to try to obtain concessions upon a basis of reciprocity. China, to obtain credit and secure export markets, will have to take the same approach and to offer in her turn concessions, equally upon a basis of reciprocity. There will evolve a new set of conditions for foreign business in China, and that it will be different from that of the past does not imply that it will be unsatisfactory.

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Inflation In Shanghai Due To Lack Of Goods, Production

B. Y. C.

The upward movement of commodity prices may be attributable to two fundamental causes: reckless issue of paper money together with abusive use of bank credit; actual shortage of goods on account of the lack of production or the cutting off of supplies coming from other than local sources. Under the former character, the phenomenon should be called an inflation of currency and credit, while under the latter, an inflation of prices. Under war-time conditions, the price situation is invariably the combined result of both currency and credit inflation together with price inflation. That was what we Shanghailanders had to suffer from in the past three or four war years.

However, if we analyse Shanghai's wartime economy during the closing months of the war, we find that it was characterized more as a case of currency and credit inflation rather than one of price inflation. The reason is simply this; while there was scarcity of goods on account of limited production, there was yet no special demand from outports on account of economic isolation. People were living from hand to mouth on the meagre supplies still available. A sort of self sufficiency developed as a result of years and years of compulsory subsistence living standards. That is why prices of commodities did not rise very much in comparison with the prices of gold and shares. This statement can be proved statistically by referring to market quotations from the beginning of this year to the end of July. In fact, many people, anticipating the end of war, even dumped their surplus goods, thus causing a considerable decline in the prices of many stable commodities. The sudden shift from war to peace upon the news of the Japanese surrender caught many people napping. The financial situation resulting therefrom was chaotic. The events that transpired may be roughly sketched as follows: (1) C.R.B. stopped functioning, so there was no fresh inflation of currency or credit. (2) the banks in general called on customers to redeem their loans and overdrafts. (3) the gold and share markets collapsed as a result of bank credit stoppage, thus forcing numerous people and institutions into bankruptcy. (4) the local stock exchange closed, thus freezing all security transactions. (5) more than 200 banks registered under the bogus regime were forcibly liquidated. These were the highlights on the Shanghai financial horizon from the early days of August to the middle of September. As a result of the changed conditions, the Shanghai market has been thoroughly deflated both in currency and credit, and business has been in a state of profound slump. These conditions, although lamentable, could not be helped, as a slump is usually to be expected after a protracted world war.

However, beginning with October, the price level suddenly turned upward; and this upward momentum, in spite of governmental control measures, has been increasing and has far outstripped the extent and degree of any rise witnessed during the war. For instance, the price of cotton yarn now is about ten times higher than during the war, the price of cigarettes, matches, and other daily necessities, six or seven times higher. The price of rice, fortunately has not gone up much comparatively speaking because of a bumper crop harvest and a more plentiful supply. But, taking the prices of all commodities as a whole into consideration, there has been a substantial hike all round. In the wake of commodities, gold and share prices followed suit although lagging far behind. People na-

turally are disappointed and many enraged that contrary to their expectations, peace should have brought higher prices and a higher cost of living. This is certainly not due to any inflation of credit, as the banks, including the government banks, have not yet released much money. Shall we call it an inflation of currency? To some extent this may be true as there has been considerable influx of money from the interior and from the allied military and civil services. Another reason is that C.R.B., being refused as bank deposits, is forced upon the market for the purchase of goods, gold bars, shares and foreign currencies. But the upward movement is headed by such stable commodities as cotton, cotton yarn, cloth, metals etc. while gold and shares are following in a sympathetic manner only. This would seem to indicate that the demand for goods is exceeding the supply that Shanghai can provide, and that this sudden demand, moving like a tidal wave, has come not from local sources but from outports. This is manifestly a case of price inflation rather than one of currency or credit.

We are not going to argue on the wisdom of high or low prices which are after all relative terms. What we are interested in is price stabilization. When it is a case of currency or credit inflation, the Central Bank can usually stabilize the situation by controlling the volume of currency and credit by means of the discount rate and open market operations; but in the case of price inflation, the fundamental remedy can only be found in increased production or increased supplies made available from other than local sources. Unless and until we can increase production or being in supplies, the price level is going definitely higher and higher. It is gratifying to learn that high government circles have diagnosed the Shanghai economic situation in the right manner. They recognize that the fundamental solution lies in increased production and are bending all their efforts towards achieving this end. Recent measures introduced by Dr. Soong and Dr. Wong to bring more coal to Shanghai, to help reopen many factories and to improve methods and means of communications are all for the purpose of increasing production. It is also gratifying that the allied military and civil authorities are lending a helping hand by placing shipping space at our disposal. The task is not easy and under present adverse circumstances, it will require considerable time.

The question in our mind is what financial provisions have been made for this task. Industry and finance must go hand in hand, for the lack of capital, particularly working capital, would render production impossible even though all other problems had been solved. Our present era has been called by economists an era of credit. The credit machinery in Shanghai has been very inactive during this period of transition. It should be set in motion again to serve production, but not speculation. Among other things, the discounting of commercial paper should be revived to provide short term credit or working capital to industrial concerns that are engaged in the production of essential commodities. In this respect, the Central Bank, as the leading credit institution, will have to take the initiative.

Post-war economic rehabilitation cannot be brought about overnight. We have to overcome many difficulties in our path, and overimpatience is unwarranted. Today, many other places in the world are suffering from the after-effects of the war just as we are. For instance, reports from Singapore tell of high prices and higher living costs resulting in general social unrest and in some cases, open riot. The high price level there certainly cannot be due to inflation of currency as the Japanese sponsored currency was removed from circulation immediately after the landing of British troops. The economic troubles of Singapore are the same as ours,—shortage of consumer goods, insufficient production and inadequate transportation.

EVENTS IN BRIEF

The Dollar Steamship Company announced last week that its ships would resume service between Asia and U.S. West Coast ports as soon as the Maritime Commission released its ships.

A new antibiotic, or germ-stopping substance resembling penicillin in its action, has been found by a group of four Chinese scientists in water chestnuts. The research team consists of S. L. Cheng, B. L. Cheng, W. K. Cheng and P. S. Tang, all of Tsing Hua University at Kunming.

William Hunt and Company was the first American firm to register with the Chinese Government for doing business in China after the war, having registered in Chungking last June. This is the first American firm to begin operations in China under Central Government corporation and exchange regulations.

The trade union movement was reported to be spreading rapidly throughout Communist-held coastal towns in Shantung.. At Chefoo 7000 workers reportedly were unionized and at Lungkow 70 per cent of the workers joined unions.

The first official Mongolian delegate to the Central Government in 25 years is scheduled to arrive in Chungking early this month to report on the recent plebiscite in Outer Mongolia and to discuss the form of future relations between the two countries.

Seventeen pieces of enemy property were turned over to Chinese groups last week on orders from the City Kuomintang Headquarters and various municipal bureaus. Among the properties affected were five printing plants and several tobacco factories and chemical laboratories. Later in the week it was announced that the enemy-owned Shanghai Inland Steamship Company will be incorporated as a sub-

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"On the other hand, my dear Snagtooth, the horrific possibilities of this new weapon will put an end to all war."

sidiary of the China Merchants Navigation Company.

The last of this year's allotment of rice to the United Nations Relief and Rehabilitation Administration will amount to 200,000 hundred-pound sacks. Most of this rice is scheduled for China, with only a few thousand sacks destined for the Philippines and the Netherlands East Indies. Meanwhile a British ship was reported to have left Vancouver, British Columbia, with a load of UNRRA wheat destined for China, while two more British ships are now loading UNRRA relief cargoes for Hongkong and China at New York.

The Surplus Property Administration in Washington this week allocated 55 surplus transport planes to the China National Aviation Corporation. The list included six DC-4's, luxurious new Douglas passenger ships. This was the type of plane employed by the American Army Air Transport Command in its recent globe-girdling flight which was completed in less than a week.

The German-language Shanghai Jewish Chronicle was sealed by Chinese authorities last week. Although no official reason for the action was given, local newspapers said the paper was "suspected" of collaboration. The Chronicle, which has served for many years as the organ of the Jewish refugees here, was published by Ossi Lewin.

The five foreign schools formerly controlled by the Shanghai Municipal Council's Education Department and the French Concession were taken over by the Bureau of Education of the Shanghai City Government last week. The move, which will place the schools under the same control as other municipal schools, was approved by Dr. T. V. Soong and Mayor Chien Ta-chun. In order to promote international understanding, foreign students hereafter will be required to study the Chinese language and Chinese history and geography.

Plans for the re-registration of local real estate have been submitted to the City Government by the Municipal Land Bureau and registration is expected to begin by the middle of this month. All real estate owners have been requested to re-register their property, since registration certificates granted by the puppet regime will not be considered valid.

Reports from Honan this week listed approximately 1,700,000 persons as being homeless as a result of Yellow River floods. Chungking reports charged that the responsibility lies with Communist forces who are alleged to have blown up several dykes.

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Cotton Mills Now At Crossroads

By BEN Y. LEE

THE cotton mill industry in China employs more laborers, absorbs more capital and produces more economic goods than any other industry in the country. Directly and indirectly, it maintains the livelihood of over a million souls. Consequently, a solution of the problems facing this industry will at the same time solve local production problems and absorb a large number of unemployed workers.

Practically all the enemy-controlled mills in the city have been taken over by the war-time production bureau of the Ministry of Economics. The Japanese surrender enabled the Chinese to recover about three million spindles, even though from 25 percent to 35 percent of the machinery in Japanese-owned mills had been either demolished or carried away. Practically all the machinery in the three British-owned mills here was destroyed or removed.

In addition to this, eight years of war's wear and tear have brought the industry practically to a standstill, and stocks of textiles here are nearly depleted. The uphill climb in prices due to this is being countered to some extent by the authorities. Retailers are prohibited by them from selling at more than two-thirds of the cost price, a situation which, naturally, cannot continue.

Lacking replenishment from new shipments of raw material, and taking into account the generally gradual and complex nature of Chinese industrial development, these mills cannot be expected to resume operation for several months, and there is no way of telling at present whether they will go into private hands or be run by the government.

With a new textile era dawning on China, the responsibility for developing this industry—bright and optimistic as the prospects are—in now entirely on China's shoulders. In looking to the future a scrutiny of the past is of interest.

During the war, the Japanese put up 8 cotton mills in Manchuria. Prior to 1936 the following particulars of the cotton mill industry in both countries were:

Name	*No. of spindles*	*No. of looms*	*Annual consumption of raw cotton per bale of 400 pounds*
China	4,762,240	45,610	2,340,000
Japan	11,853,000	277,340	3,651,000

Japanese cotton mills in China and Japan usually spun finer counts of yarn, from 32's to 60's, while Chinese mills spun from 16's to 20's. This explains why the Japanese mills used less material than the Chinese.

Imports of cotton goods into China from 1931 to 1936 inclusive, averaged about 40,000,000 customs gold units of which Japan shared about one-half.

From now on imports of cotton piece goods from Japan will be nil. On an average, each grown person in China needs at least fifteen yards of cloth a year. How can an annual production of cloth of 20,000,000 pieces at 30 yds. each be enough to supply a population of 450,000,000? Of course, a large quantity of native cloth woven on wooden looms is produced annually to increase the total production.

The government is taking a serious view of this critical situation not only because past mismanagement endangers the future position of China's cotton mill industry, but also because of the manpower question involved. Definite plans to refinance and reorganize those plants should be carefully formulated by the government. Some sort of close American-Chinese cooperation is absolutely necessary in order to fill the vacuum left by Japanese industry and trade.

During this period of transition, a problem of paramount importance is the financing and management of those mills taken over. The wartime production bureau of the Ministry of Economic Affairs is running some mills and it is assumed other enemy mills will be run by the same authorities. Government control and management of those mills, if efficient will benefit the people. There must be an efficient and honest management. Comparison should be made between the labor cost per unit of production as against that of mills not government-owned.

To develop an efficient industrial management, firstly, those mills recently taken over should be divided into small units, say, up to 30,000 spindles per mill. With the exception of Wing On Cotton Mill No. 2 in Woosung and Sung Sing Mill No. 9, most Chinese-owned mills are of small size from 10,000 to 40,000 spindles per unit, and these are managed very efficiently and are on a sound basis. Another delicate problem is the eradication of corruption. By improving the method of checking, and using a modern system of accounting and recording, a great deal of mischief may be avoided. This is more easily said than done. Thirdly, only men of high ideals and morality should be employed. Such men can easily be found and the system of installing favorite friends and relatives of men in power should be uprooted.

Many textile mills in Shanghai and many others in former Japanese occupied territory have been temporarily closed down, for allegedly cooperating with the Japanese. Actually, the Japanese placed plants under their control whenever they wanted to, whether the Chinese owners of the plants said yes or no. But wild rumors are being circulated that those unfortunate mills will be run by the Wartime Production Bureau of the Ministry of Economic Affairs. Two other bureaus want to participate in taking over those 100 percent Chinese-owned plants. Those who advocate or approve of such excuses in confiscating private enterprises will certainly ruin the textile industry as a whole. The owners of these so-called Chinese-Japanese plants should be investigated but the industry cannot be allowed to bog down in a mass of red tape.

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PEOPLE IN THE NEWS

Dr. KLAUS MEHNERT, former editor of the Nazi-inspired XXth Century Magazine and former professor at the University of Hawaii, was arrested here last week and reportedly is in the custody of American forces. Both Mehnert and Dr. Robert K. Neumann, professor of pathology who is said to have been concerned with some of the Buchenwald Concentration Camp experiments and who was arrested earlier, are scheduled to be shipped to Germany for investigation and possible trial.

ROBERT DON CHISHOLM, American newspaperman long resident in Shanghai, and publisher of the defunct "Shopping News," is now lodged in the municipal jail here on charges of collaborationist activities. After the Japanese occupation of Shanghai Chisholm broadcast over a Shanghai radio. He was interned, then released, then placed in Bridge House, released again, and finally interned at Chapei camp, where fellow-internees gave him a severe beating on hearing the first news of peace. He was taken for questioning soon after the arrival of American forces here, but was released after a week. He was "finally" arrested on October 30.

DIRECTOR AU SEN of the City Government's Social Affairs Bureau has promised all facilities for foreigners trading in Shanghai under the new Chinese company law which comes into force on January 1, 1946. Local foreign firms incorporated in home countries but not operating there would have to form companies in China and obtain Chinese judicial and personal status, he explained. One of the directors authorized to represent the company should be Chinese, he added, and if the company chooses to maintain a chairman of the board of directors, he must be Chinese.

MAJ.-GEN. DE WITT PECK, Commander of the 1st Marine Division in Tientsin arrived in Peiping last week, accompanied by an American plane patrolling the road ahead, and five heavily armed jeeps. A high Marine officer explained that earlier last month U.S. Marine jeeps travelling on the same road had been fired upon by "irresponsible people." There had been "no fight at all," but four Marines had been wounded.

NELSON T. JOHNSON, former United States Ambassador to China, has been appointed temporary secretary to the Far Eastern Advisory Commission.

BO SET KYA, military attache to Dr. Thein Maung, puppet Burmese Ambassador to Japan, returned to Rangoon last week with news of his puppet associates. The trial of Maung, and Jose Laurel, puppet president of the Philippines, will last eight months, he said. Returning to Burma from Japan are 127 other Burmese.

"CONSTANT THREAT"

The Rochester Times-Union

CHIEN TA-CHUN, Mayor of Shanghai, presided at the groundbreaking ceremony for the construction of the Arch of Triumph at the corner of the Bund and Avenue Edward VII on October 30. The arch is to be erected in memory of China's victory in the war of resistance.

PANDIT NEHRU, in answer to an appeal from Dr. I. Soekarno late last week declared: "The people of India will stand by the Indonesian demand for independence, and will give them all help they can." Soekarno in a broadcast earlier last week had asked the All-India Congress to take up the cause of the Indonesians.

PONG SUNG-CHOW, Vice-Minister of Food, arrived here early this week. Questioned by the press, he said: "The Government is very much concerned about the livelihood of the people of Shanghai. I am here to investigate the continued rise in prices of foodstuffs and commodities, and to find means to alleviate the present difficulties." Large quantities of rice may be shipped here from Taiwan soon, he said, and the purchase of rice from Siam and Indo-China is planned. American and Australian wheat may be imported as soon as transportation facilities permit.

Mr. and Mrs. CARL MYDANS, Life correspondents formerly interned in Manila and Shanghai arrived here last week on a short visit prior to going home to the U.S. They have been working as a team in the Pacific area during the past year.

HENRY LUCE, publisher of Time and Life, left Shanghai after a flying visit early this week. He plans to establish a Shanghai edition of Time magazine within three months and will have copies of the famous news-magazine rolling of the presses here within 24 hours of the New York edition.

Chennault Backs Chiang; May Return to China

Only a few days after Lieut-Gen. Wedemeyer had prophesied at a Washington press conference that Maj-Gen. Claire L. Chennault might return to assist with the organization of China's air force, Chennault voiced his views of China's post-war future at the Herald Tribune Forum in New York. He said he believes that Chiang Kai-shek's Nationalist government will soon control all China and that, although the Communists now dominate the four northern provinces, "it is believed that the National Government will be able to enforce its laws."

Chennault further urged that the United States support the National government to achieve China's industrialization.

Wedemeyer had explained in Washington that Chennault's return to China might be a part of a proposed training program by which officers and men of the U.S. Army would assist in the training of Chiang's troops.

Chennault said at New York that he thought Chinese-American trade could be improved by a system of barter by which goods might be exchanged with minimum exchange of money.

"China lacks dollar balances," said the former commander of the Flying Tigers, "but has many items needed in the United States."

The 300,000 volume Chekiang Provincial Library at Hangchow, formerly one of the finest in China, was almost completely looted by the Japanese, Central News Agency reported this week. The building, which the Japanese used as a godown, was also largely destroyed.

Three Russian Army officers arrived in Shanghai on October 30 from Chunking. The officers, Col. Andreev, Col. Voronin and Capt. Mitvedev, were the first Red Army men to visit Shanghai.

Russia is reportedly pressing China to pay the costs of Russian occupation of Manchuria by redeeming occupation currency used by Soviet troops. The Chinese are said to feel that the rate of exchange demanded by the Russians is too high.

NEWS OF THE WEEK

KMT-CP Clashes Reach Civil War Proportions As Talks Continue

While press dispatches reported the outbreak of "an undeclared civil war," involving 1,000,000 troops in 11 provinces, and American ships unloaded thousands of Chungking troops in North China, Chungking and Yenan this week hurled charges and counter charges, each claiming the other had started the fighting with "unprovoked" attacks.

Central Government spokesmen specifically accused the Communists with preparing to assume control as soon as the Russians evacuate Manchuria by dispatching Communist - trained Manchurian cavalrymen into the southern parts of Manchuria and Jehol to guard the South Manchuria Railway and the Peiping-Mukden Railway, as well as south Manchurian sea ports; with launching attacks on Tatung, Kuomintang-held railway junction in northern Shansi; with launching at least three "general offensives"; and with tearing up 100 more miles of railroad track and bridges between Chihsien in northern Honan and Yuanshih in south Hopei.

The Communists' accusations, meanwhile, ranged from charges that the Central Government had committed several overt military acts to denunciations of alleged Kuomintang corruption and fraternization with Japanese and puppets in liberated territory.

The New China News Agency, in dispatches from Yenan, denied General Fu Tso-Yi's charge that the Communists had begun hostilities, and countered with claims that Fu Tso-Yi's troops, in partnership with Japanese and puppet forces, began launching attacks upon Communist-held territory as early as August 18.

Yenan further claimed that in Tsingtao, Peiping and Tientsin the puppet Federal Reserve Bank had, upon orders from Chungking, resumed printing Central Rserve Bank notes. Some CRB$2,000,000,000 in notes was said to have been printed in Tsingtao alone during September. This was said to be because puppet troops and government officials were retained by the Kuomintang and had to be paid.

Meanwhile, from Chungking, where unity talks are still proceeding, came rumors of Kuomintang-Communist efforts to split the strength of the newly-prominent China Democratic League by attempts to win adherents among its members.

ensure peace."

The China Weekly Review's Chungking correspondent reported that the first round of the "political struggle"—as compared to the military struggle—will be in the Political Consultation Council which is being called early this month.

Our correspondent's dispatch continues: "Although nothing concrete has been reached concerning the power and the number of representatives of the Council, the Kuomintang and the Communist Party, as well as the China Democratic League, already have demonstrated ther preparedness for a determined struggle. At the time when the KMT-CP negotiations were going on, the CDL also held its national congress in Chungking. This was taken as a demonstration of strength by the CDL and apparently was not lost upon the two main parties. One immediate result was that the number of representatives from each party to the Political Consultation Council was altered from an original basis whereby the KMT, CP and CDL were each to have nine, to a plan giving 12 seats to the CDL, with the KMT and CP each having six. It is reliably reported that altogether there will be 36 delegates to the council. The final 12 will be chosen from among non-partisan social leaders. President Chiang will be chairman, not counting as a representative of any party.

"This distribution is in accordance with China's social structure, which has 'a minority at the two extremes and a majority at the center.' But this will have the same weakness as China's social structure: The forces at the center are always unorganized. The CDL was created through the coalition of three parties and three groups. Each preserves its own individuality. There are also in the League non-partisan members who are well-known figures in society. They have been appealing for internal solidarity and a stronger organization.. If these groups and parties can really unite, the future of China will be brighter. However, if both the KMT and the CP get their supporters from this non-partisan group by spliting it, there will remain in the Political Consultation Council two uncompromising groups blocking the way towards national unity.

"The main tasks of the Political Consultation Council are to settle the procedure and the methods as how to conclude the one party rule of the Kuomintang and to realize constitutional government. On these issues the Kuomintang feels that it is the giver and hates to make concessions, while the Communists hope for a relaxation of the former's tight grip. Therefore, the distance in principle between the two parties is great. If there is no strong third party acting as a buffer between the two parties, it is most possible that the coming political Consultation Council will accomplish little.

It is understood that the highest power will be given to the Council and that the Kuomintang-dominated government is to carry out any resolutions passed by the Council. However, postponement of enforcement will be allowed if it is necessitated by objective difficulties. According to the voting procedure, a resolution is passed only when four-fifths of the delegates vote in the affirmative. That gives any group or party in the Council the veto power.

"At the same time, it is reported, the KMT and CP are working to weaken the League by first attempting to split the coalition group by offering special inducements to the various camps. However, since this process is only beginning to develop, it is too early to make predictions."

America Requires Big Army, Navy

The success of the atomic bomb at Hiroshima and Nagasaki did not remove the necessity for a strong army and navy, President Truman told an assemblage on Navy Day at Central Park, New York. Because the war just finished has demonstrated that strong fighting forces are essential to world security and peace, the U.S. will maintain stronger forces than ever before. Truman said, they will assist in backing up a foreign policy throughout a "world in which Nazism, Fascism and military aggression are impossible."

Truman outlined that policy in some detail. He said the U.S. will seek "not one inch of territorial expansion," that she will assist in the return of sovereignty to all peoples who have been deprived of their governments by force, and that she will seek to encourage the peoples all over the world to gain self-government. The U.S. will not recognize governments imposed by force, though, Truman said, "In some cases it may be impossible to prevent the imposition of such a government." He said the sovereign states of the Western Hemisphere must be allowed to work out their problems without interference from outside. All states should have equal rights to the raw materials of the world, the President said, and declared that the U.S. will strive to promote freedom of expression and religion throughout the world.

"We are convinced," said the President, "that the preservation of peace between nations requires the United Nations Organization, composed of all peace-loving nations of the world who are willing jointly to use force, if necessary, to

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NEW BOOKS OF INTEREST

Samurai at Home

TOKYO RECORD—By Otto D. Tolischus, New York, Reynal and Hitchcock, U.S.$3.00. Reviewed by Walter H. Wiener.

The long expected flood of war and post-war books has finally reached Chinese shores, and after years of Japanese occupation, censorship, and rumors instead of news, local readers might be expected to welcome the newly arrived intellectual cocktails.

".....the Japanese," says Otto Tolischus in Tokyo Record, "still lives in a subconscious rather than a fully conscious state, and only dimly discerns the borderline between reality and fiction. He has, therefore, a but poorly developed capacity for self-realization, self-analysis, and self-criticism: this accounts for many of his seemingly preposterous statements which are yet in line with exactly what he wants, however illogical and contradictory the argument. He is impervious to, and impatient with, the reasoning of the West, which to him appears only a clumsy and roundabout way of reaching the desired conclusion. Japan has therefore produced no lawgivers or philosophers, and few great artists, poets, or dramatists."

Mr. Tolischus, the former Tokyo correspondent of The New York Times, relates his experiences in Japan during the months prior to and after the outbreak of the Pacific War and describes in detail the maltreatment and torture meted out to him in Japanese prison cells. Interwoven with his record of personal observations are sociological and philosophical remarks revealing the analytical and scientific mind of the author, who might be said to represent American journalism at its best.

Arriving in Japan in January 1941, Mr. Tolischus had the opportunity of witnessing the Machiavellian intrigues of Japanese politicians the majority of whom had only one aim in mind: expansion of Japanese rule and influence over Asia and the Pacific.

It is no wonder, therefore, that the representatives of the United States and Japan were mostly talking past one another in the long-drawn-out negotiations preceding the showdown in the Pacific, since facile arguments were used in great profusion on the one side and were changed as one might change one's shirts or clothing at different social occasions.

"Western civilization," the author says, "is a composite product of many elements and traditions, each of which contributed its share to man's upward climb, and marked a break in his link with his savage ancestry. The rationalism of Hellenic culture, which taught men how to think; the moral law of the Ten Commandments developed by Judaism; the secular law produced by the Roman Empire; the love, pity, and compassion introduced by Christianity; finally, the natural sciences which taught men cause and effect—they all went into framing the modern man's picture of the world and his ethical and moral standards. In Japan, I was in a country which knew none of these values, but lived by a tradition "unbroken for ages eternal" and therefore going straight back to primitive savagery. It was as elemental and primeval, but also as simple, unified and cohesive, as that of a still savage Indian tribe. At times it had been modified by Chinese civilization and Buddhism, and later by Western civilization and democracy, but these never penetrated more than skin-deep, and were in turn adapted to fit the unchanging core of the Japanese tradition. And whenever they threatened to get the upper hand, the "Japanese spirit" rose up in arms, and there was a purge of alien influences such as was going on at the moment."

"The Japanese conception," Mr. Tolischus states, "is wholly pre-Hellenic, prerational, prescientific, and preindividualistic. It is predicated on the Oriental idea of the divinity of all nature ruled by divine will according to hierarchal and patristic principles, which assign to every individual and nation his or its "proper place," and which are backed by power consecrated by divine sanctions. Its basic tenet is the primacy of the family, resting not on the lateral relationship between husband and wife united by "love," as in the West, but on the vertical relationship between parents and children united by benevolence on the one side and filial piety on the other; which, by extension to the social structure becomes the family-state ruled by a benevolent god-father-emperor to whom his subjects own filial piety and obedience. But in the case of Japan, as directed by the "Way of the Gods," there is both a limitation and an extension of this tenet—the god-father-emperor, like the father of the family, is limited in his powers by the traditional compulsion to consult the "family," or state council, modeled after the assembly of the gods, which puts power in the hands of those who can impose their "advice" on the council; and the idea of the divine family-state has been extended, by the will of the gods as latterly interpreted by the "council," to the entire world, which is to be made "one household under one roof."

Buddhism and Confucianism were easily blended with these ideas, although they lost their very essence in the process of assimilation. Buddhism was used to support vague Japanese concepts by declaring that the numerous Japanese gods were manifestations of Buddha, whereas Confucianism, which might be thought to contain tenets similar to Japanese doctrines, was accepted with one important exception. In Confucianism, the virtue of the ruler is the only justification of his rule, whereas in Japan the ruler's claim to sovereignty is his descent from the Sun Goddess, and his family tree is his sovereign virtue. A Japanese emperor, therefore, cannot be deposed contrary to the Chinese conception that an emperor who is lacking in virtue can be removed from his august position.

"Religion in Japan," the author declares, "is not a matter of dogma or ethics or otherworldly preoccupation with the soul, but an integral part of the Japanese daily life and thought, which are based on it. It is intimately bound up with all the practical realities of daily existence, and the Japanese prayer is not for goodness, or enlightenment, or salvation, for which they have no concept, but for very material and concrete things, from a pair of shoes to world dominion."

Reading through these passages one realizes the deadly peril which threatened the whole world in case of a victory of Japanese arms and Japanese ideologies, which are closely connected with another code of power politics: National Socialism. But whereas the German variety of anti-rationalism had to be imposed on a Western country with a long tradition of scientific thought, in Japan it was the very air which every one was breathing and it did not need any artificial codification but only an emphatic statement in order to bring into the open the ancient and primitive attitude of a great majority of the Japanese.

Propagand's Residue

ASIA FOR ASIATICS—By Robert S. Ward, Chicago. University of Chicago Press, 1945. U.S. $3.00.

As a consular officer in the American service stationed at Hongkong, Robert S. Ward was a direct witness to the swift collapse which overtook the colony in December, 1941. His book conveys a vivid impression of the Hongkong people's consternation as the Japanese armies overwhelmed defenses in three weeks that were claimed to be ready for a six months' siege.....

The author's prime consideration, however, is with the techniques employed by the Japanese to establish an empire in Asia "for the Asiatics." Before leaving Hongkong on the Gripsholm, he had seen the unfolding of a thoroughly planned and ruthlessly executed program for the creation of a new Japanese imperium....

During the six months of his internment, the essential aspects of the Japanese program, along political, economic, social and propaganda lines, were already made fully evident. The pattern revealed with such thorough detail in this carefully documented survey is representative of Japanese policy in all occupied territories. It deserves thoughtful study by those who wish to know what the Japanese were after and what they accomplished. Even in defeat, the author warns, their gains may not be effectively overcome, unless the United Nations display an intelligent and persevering effort matching that which has gone into the achievement of military victory.

Only a systematic analysis of this type, which approaches the Japanese technique of mastering conquered areas with a cooly detached realism, is capable of doing justice to the thoroughness of Japan's planning and the completeness of its practical application. Mr. Ward points out, for example, that the period of anarchy and looting which normally follows upon Japanese occupation, and which has perhaps been too easily accepted as a fatal weakness in policy, is deliberately turned to advantage by those directing the operation. Only a brief period of uncontrolled brutality was needed in Hongkong before the leading Chinese interests, including several outstanding officials of the former British regime, were prepared to assume the "responsibilities" of cooperation which henceforth tied them to the new Japanese rulers. Thereafter, the army gendarmerie took over the task of creating a more "orderly," but not less ruthless, system of security for person and property. Those who cooperated were the beneficiaries of the new order.....

The writer's major concern is with the after effects of the years of indoctrination to which the Asiatic peoples have been subjected. He is not overly sanguine that the lesson of the conqueror's brutality and greed will outweigh other impressions in wide sections of the local populations. In his opinion, even reconquest will not wipe out memories of the overnight collapse of the foreigner's power in widely dispersed regions of Asia. On this collapse, as on specious pledges of "independence," the Japanese overlords built their intense propanganda drive which used every medium, from press and radio to school and church, to din the message of "liberated" Asia into the minds of their subjects. It will leave a residue, concludes Ward, which can be ignored only at peril to the future.—*T. A. Bisson, in the Saturday Review of Literature.*

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10.00	5.10	12.00	19.05	16.30	8.00	9.00	15.00	18.20	21.00	SHANGHAI							
8.15	3.40	10.09	17.21	15.20	10.06	10.12	17.19	20.18	22.38	QUINSAN	52	640.00	$720.00	360.00	$450.00	180.00	$225.00
7.08	2.32	8.52	16.13	14.20	12.00	11.06	18.37	21.31	23.48	SOOCHOW	86	810.00	990.00	540.00	630.00	270.00	315.00
6.30	1.12	7.23	14.52	13.23	13.25	12.02	20.27	22.58	1.09	WUSIH	129	1,170.00	1,530.00	780.00	950.00	390.00	480.00
4.05	23.56	6.00	13.30	12.27	14.50	13.17	21.30	0.32	2.30	CHANGCHOW	167	1,530.00	1,890.00	1,020.00	1,200.00	510.00	600.00
2.05	22.13		11.45	11.18	16.12	14.16		2.10	3.52	TANYANG	212	1,980.00	2,520.00	1,320.00	1,590.00	660.00	795.00
1.04	21.14		10.16	10.37	17.17	15.01		3.15	4.56	CHINKIANG	242	2,250.00	2,790.00	1,500.00	1,770.00	750.00	885.00
22.30	18.50		8.00	9.00	19.50	16.30		5.30	7.00	NANKING	311	2,880.00	3,600.00	1,920.00	2,280.00	960.00	1,140.00

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21.25	13.30	18.20	7.00	7.40	15.30	SHANGHAI							
19.48	11.53	17.11	8.04	8.04	17.05	SUNGKIANG	45	450.00	$632.00	300.00	$290.00	150.00	$495.00
18.07	10.10	15.48	9.20	9.20	18.47	KASHING	99	900.00	1,080.00	600.00	690.00	300.00	345.00
17.26	9.25	15.12	10.04	10.04	19.38	HASHA	125	1,170.00	1,530.00	780.00	960.00	390.00	480.00
16.36	8.32	14.32	10.40	12.56	20.26	CHANGAN	151	1,440.00	1,800.00	960.00	1,140.00	480.00	570.00
15.20	7.15	13.30	11.45	13.40	21.50	HANGCHOW	190	1,710.00	2,070.00	1,140.00	1,320.00	570.00	660.00

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